Brighton & Hove City Council

Cabinet

Agenda Item 93

Subject: **Targeted Budget Management (TBM) 2026/27 Month 6 (September)**

Date of meeting: **Thursday, 12 November 2026**

Report of: **Cabinet Member for Finance & City Regeneration**

Contact Officer: **Elizabeth Griffiths, Director of Finance & Property**
Haley Woollard, Deputy Chief Financial Officer
Email: **elizabeth.griffiths@brighton-hove.gov.uk**
haley.woollard@brighton-hove.gov.uk

Ward(s) affected: (All Wards)

Key Decision: No

Reason(s)

For general release

1 Purpose of the report and policy context

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out for noting an indication of forecast risks as at Month 6 on the council's revenue and capital budgets for the financial year 2026/27. Effective financial management is a core component of providing a well-run council, a key priority within the Council Plan that demonstrates that the council manages within its finite resources and optimises the use of those resources.

2 Recommendations

2.1 Cabinet notes the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £26.446m.

2.2 Cabinet notes the additional risks of £13.836m included in the table at Appendix 2 which are not included in the forecast figure above.

2.3 Cabinet notes the forecast overspend risk for the separate Housing Revenue Account (HRA), which is an overspend of £0.683m.

2.4 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £6.672m in-year, resulting in a cumulative deficit of £6.848m.

2.5 Cabinet notes the progress of transformation programmes shown in Appendix 4 and the delivery of savings as detailed at 3.11 and 3.12 of the report.

2.6 Cabinet notes the aged debt position shown at Appendix 3.

2.7 Cabinet notes the forecast collection fund position detailed in 3.15 and 3.16.

3 Overview

3.1 The forecast outturn position at month 6 for the current financial year 2026/27 is an overspend of £26.446m with an additional table of risks (Appendix 2) totalling £13.836m.

Directorate	TBM Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %	Forecast Variance Month 5 £'000	Movement Month 5 to Month 6 £'000	Direction Of Travel ↑ / ↓
Families, Children & Wellbeing	93,343	96,571	3,228	3.5%	3,578	(350)	↑
Homes & Adult Social Care	160,867	175,700	14,833	9.2%	12,995	1,838	↓
City Operations	48,281	50,790	2,509	5.2%	2,071	438	↓
Central Hub	30,544	31,408	864	2.8%	910	(46)	↑
Sub Total	333,035	354,469	21,434	6.4%	19,554	1,880	↓
Centrally-held Budgets	16,807	21,819	5,012	29.8%	4,281	731	↓
Total General Fund	349,842	376,288	26,446	7.6%	23,835	2,611	↓

3.2 The forecast has deteriorated by £2.611m between month 5 and 6.

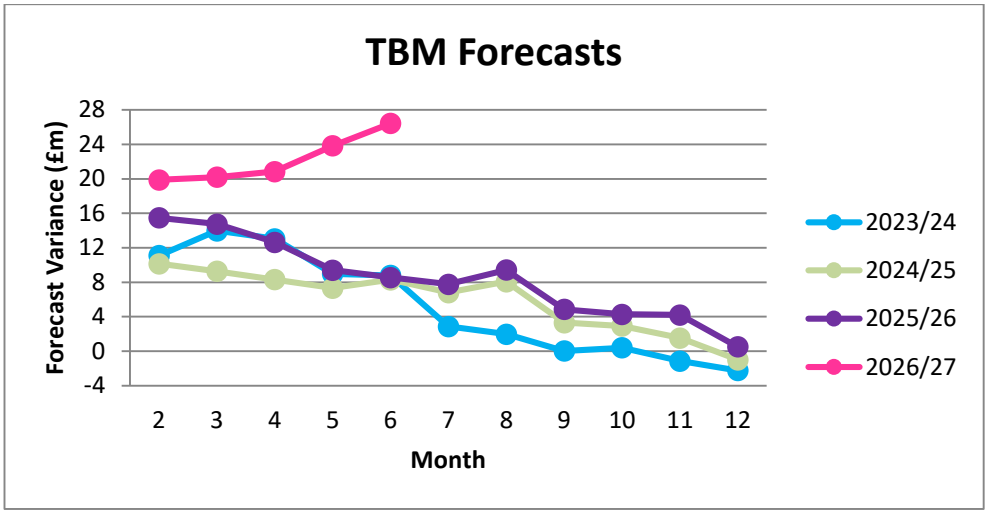
3.3 The most significant movement has been within the Adult Social Care service. This is driven by a combination of factors. Notably, there was an expectation of an increase in provider fee uplifts (£1.300m) which was previously highlighted as a risk and now has been incorporated into the main forecast. Additionally, there has been an increase in demand in terms of new client placements (£0.707m).

3.4 The council has been awarded £6.4 million of transformation grant by the Ministry of Housing, Communities and Local Government (MHCLG) to fund transformation which addresses increasing adult social care demands, homelessness and reduces pressure on temporary accommodation. This will be used as transformation funding over the next two years to improve prevention.

3.5 For the 2026/27 central Dedicated Schools Grant (DSG) there is currently a forecast in-year overspend of £6.672m. The estimated overspend of £6.672m will be an addition to the final overspend position on the central DSG from 2025/26. At the end of 2025/26 there was a net deficit on the central DSG of £1.762m, meaning the cumulative overspend forecast totals £8.434m. The council received notification in October that 90% of the 2025/26 deficit would be offset by the high needs stability grant allocation. This means the adjusted cumulative deficit after allowing for the high needs stability grant allocation of £1.586m reduces to £6.848m. The position is summarised below:

Central DSG Deficit end of 2025/26	£1.762m
In-year Central DSG Deficit 2026/27	£6.672m
Cumulative DSG Deficit	**£8.434m**
Indicative High Needs Stability Grant	(£1.586m)
Revised Cumulative DSG Deficit	**£6.848m**

3.6 The below graph shows the trajectory of the forecast compared to previous years. Not only has this year's forecast position started higher than previous years, but has continued to rise through the first part of the year, which is inverse to the trajectory of previous years.



3.7 It's important to note that in previous years, very similar cost pressures existed but were offset by underspends in other areas and by the application of centrally held one off funding where available. The 2026/27 budget factored in a proportion of these underspends in order to balance, meaning that they are no longer available in the current year to counter the underlying pressures. The council has been managing its finances closely and continues to do so but like so many councils, the continuing increases in demand and the rising levels of complexity, and therefore cost, are overwhelming the savings being made. In addition, elements outside of the council's control (such as rising fuel costs and inflation) have materially increased the cost of service delivery. The council continues to pursue its transformation agenda as the means of delivering true and long lasting cost reduction and financial sustainability for the future.

3.8 Detailed reports on all areas are included in Appendix 1 which shows forecasts, explanations for notable variances, current and planned mitigations, savings delivery and supporting data for each service area.

3.9 Appendix 1 also shows the expected variances on the Housing Revenue Account (HRA) and the DSG which, while outside the reported revenue position of the General Fund are still the responsibility of the Council to manage. These are showing overspends of £0.683m and £6.848m respectively with the large overspend in the DSG being driven by increased demand in the High Needs Block. The Department for Education continues to scrutinise closely the past expenditure on the DSG, and has confirmed, subject to a final audit, that that 90% of the 2025/26 deficit would be offset by the high needs stability grant allocation. At this stage, it is not clear whether a similar arrangement will apply for central DSG deficits arising in 2026/27 and 2027/28, however government has advised support will continue and that this would follow 'an appropriate and proportionate approach' but that this would not be unlimited.

Savings & Transformation Delivery

3.10 All services continue to report good progress on their transformation programmes which are having a positive effect on their position but are

currently unable to keep pace with the rise in numbers and costs. The transformation programmes are overseen by the Innovation and Savings Delivery Board which reports into the Corporate Leadership Team (CLT). An update on the current position of the projects is shown at Appendix 4.

3.11 Workstreams have two RAG ratings; one for project delivery and one for savings delivery. This is because it is entirely possible to have a well managed project which is delivering according to plan (and therefore RAG'd green) but because demand or other factors are overtaking the outcomes, the anticipated savings are not being realised. It should be noted that even when the anticipated savings are reduced, a successful project provides significant cost mitigation against a position which would have been worse. The performance below shows the RAG rating for savings delivery – paragraph 3.13 outlines what each RAG colour represents.

Directorate	● £'000	● £'000	● £'000	● £'000	● £'000	Total £'000
Families, Children & Wellbeing	0	204	312	82	423	1,021
Homes & Adult Social Care	0	2,714	4,999	7,222	300	15,235
City Operations	220	493	493	2,684	68	3,958
Central Hub	0	600	175	260	10	1,045
Centrally-held Budgets	1,125	0	0	0	0	1,125
Total General Fund	1,345	4,011	5,979	10,248	801	22,384
DSG	0	0	0	0	0	0
HRA	0	0	0	0	0	0
Total Council	1,345	4,011	5,979	10,248	801	22,384

3.12 Savings in service budgets, not linked to transformation projects, are also delivering well with 78% either already delivered or strongly expected to be.

Directorate	● £'000	● £'000	● £'000	● £'000	● £'000	Total £'000
Families, Children & Wellbeing	0	100	0	968	548	1,616
Homes & Adult Social Care	0	0	0	23	0	23
City Operations	375	10	215	374	290	1,264
Central Hub	0	12	277	1,123	213	1,625
Centrally-held Budgets	0	0	450	1,550	0	2,000
Total General Fund	375	122	942	4,038	1,051	6,528
DSG	0	0	0	0	0	0
HRA	0	0	0	0	0	0
Total Council	375	122	942	4,038	1,051	6,528

3.13 Savings are RAG'd as follows:

- Grey – the actions required have not yet been planned.
- Red – the actions are understood but unlikely to happen or have an effect.
- Amber – the actions are underway but the outcome is still uncertain.
- Green – there is a strong expectation of a successful outcome.
- Blue – the saving has already been delivered.

Treasury, Debt and Capital

3.14 The report may also include a Treasury Management update from time to time. This is required to comply with the updated Treasury Management Code which requires a minimum of quarterly reporting. Cabinet already receives mid-year and end-of-year reviews and therefore at least two additional interim

reports will be provided via an appropriate TBM report to ensure compliance with reporting requirements. A Treasury Management update is not included in this report and will be included at TBM Month 7 (October).

Collection Funds

3.15 The Council Tax Collection Fund is forecast to be in deficit by £4.500m at year end, of which the Council's share is £3.802m. This comprises a £1.172m brought-forward deficit and adverse in-year variances relating to collection performance (£1.159m), Council Tax Reduction (£0.858m), taxbase adjustments (£1.267m) and backdated prior-year changes (£2.034m), partly offset by increased Empty Property and Second Homes Premium income and lower student exemptions. The forecast remains uncertain due to operational backlogs and delays in VOA updates, which may affect collection and the timing of account adjustments. Further work is underway to assess these impacts and refine the forecast.

3.16 The Business Rates Collection Fund is forecast to be £2.178m in deficit, of which the Council's share is £1.067m, entirely relating to the 2025/26 brought-forward deficit and expected to affect funding in 2027/28 through the NNDR1 calculation. For 2026/27, the forecast assumes 100% safety-net protection and no benefit from business rates growth, pending clarity over the reformed retention system. The forecast therefore remains provisional, particularly given uncertainty around the 2026 reset, new baselines, tariff/top-up arrangements and safety-net mechanism.

3.17 The in-year collection rates for 2026/27 as at period 6 are 50.56% for Council Tax, which is 0.88% below target, and 53.5% for Business Rates which is 6.98% below target.

4 Analysis and consideration of alternative options

4.1 The forecast outturn on General Fund budgets is an overspend of £26.446m with additional risks of £13.836m. This exceeds the Council's available reserves and likely ability to mitigate and therefore will require additional Exceptional Financial Support (EFS). A request to MHCLG has been made for additional EFS to cover this and positive conversations continue.

4.2 As the recommendations within this report are for noting, no alternative options have been given consideration.

5 Community engagement and consultation

5.1 No specific consultation has been undertaken in relation to this report.

6 Financial implications

6.1 The financial implications are covered in the main body of the report and appendices. Financial performance is kept under review on a monthly basis by the Corporate Leadership Team and Cabinet and the management and treatment of strategic financial risks is considered by the Audit, Standards & General Purposes Committee.

6.2 The financial position of the council remains challenging and while mitigations and further savings are constantly being developed and implemented, as

evidenced by the tables above, external demand continues to overwhelm them. Going forward, the council is taking a transformational approach to the closure of the budget gap but the change required is and will continue to be, significant. The authority's reserves are insufficient to offset the overspend and further EFS is required, whilst acknowledging that this in itself is a short term solution and the repayment of it brings additional cost in the coming years. It provides single year mitigation for ongoing budget pressures, meaning that unless additional funding and savings are found that exceed the current overspend, the budget gap will not close, and, given inflationary pressures and demand increases, continue to expand.

Finance Officer consulted: Elizabeth Griffiths Date: 28/10/2026

7 Legal implications

7.1 This report is to note and there are therefore no direct legal implications arising from the report.

7.2 The Council is under a legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

7.3 The Council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The recommendations contained in this report to note the risks and progress of transformation programmes will assist in the discharge of that obligation through ensuring oversight is maintained by Cabinet of the budget position.

Lawyer consulted: Elizabeth Culbert Date: 30/10/26

8 Risk implications

8.1 The risk in the forecast figures has been outlined in Appendix 2 which contains estimates of further risk from all services that have not yet been included in the forecast figures because of their level of uncertainty.

8.2 The more significant risk is that if the Council's request for further EFS is not approved, the Council's Chief Financial Officer would be forced to issue a S114 report on the grounds that expected expenditure in the current financial year cannot be met by expected available resources.

9 Equalities implications

9.1 There are no direct equalities implications arising from this report.

10 Sustainability implications

10.1 An inability to balance the budget in the current financial year would require the Council to issue a S114 report so the request for additional funds through

EFS, in conjunction with continuing efforts to reduce this overspend must be pursued.

11 Health and Wellbeing Implications:

11.1 The council's budget includes many statutory and preventative services aimed at supporting vulnerable children and adults. The budget prioritises support to these core and critical services including management of any emerging in-year pressures to minimise impacts on statutory provision.

12 Conclusion and comments of the Chief Finance Officer (Section 151 Officer)

12.1 The position at TBM Month 6 is a significant projected overspend driven by underlying pressures in service spending carried forward from 2025/26 and continuing into 2026/27 and increases in costs in the current year. Savings have been evaluated based on current expectations of delivery, which has increased the forecast overspend but gives a more realistic and accurate expectation of the authority's year end position.

12.2 The reported financial position has required the Council to approach MHCLG to request more Exceptional Financial Support for 2026/27. This has formally been requested as a sum of up to £30m. It should be noted that this is additional borrowing, not additional funding.

12.3 The MTFS has been reforecast and includes any overspend or gap in savings delivery from the current year that will continue into coming years due to the nature of the expenditure. This will be published with the draft budget in December and gives the authority a realistic position from which to take action, increasing its focus on transformation to work to close the budget gap.

Supporting Documentation

Appendices

1. Forecast Dashboards by Service
2. Additional risks not included in the forecast
3. Aged Debt
4. Update on the progress of Transformation programmes and key risks